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AZ CORP COMMISSION
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MEMORANDUM

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Arizona Corporation Commission

DOCKETED

JUL 21 2006

TO: THE COMMISSION

FROM: Utilities Division

DATE: July 21, 2006

DOCKETED BY	nr
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RE: IN THE MATTER OF THE APPLICATION OF AT&T COMMUNICATIONS OF THE MOUNTAIN STATES, INC. TO REFUND OVERCHARGES FOR DIRECTORY ASSISTANCE (DOCKET NO. T-02428A-06-0443)

Introduction

On July 5, 2006, AT&T Communications of the Mountain States, Inc. ("AT&T Mountain States") filed an application for approval of its proposed method for refunding to business customers amounts that were inadvertently overcharged for directory assistance. The application was filed in response to discussions held with Commission Staff commencing in February 2006 and in support of AT&T Mountain States' merger application with BellSouth (Docket No. T-02428A-06-0203).

The Application

The Company in its Application represents the following:

In 2001, AT&T Mountain States, on behalf of its affiliate Teleport Communications Group of Phoenix ("TCG Phoenix"), filed an application to increase TCG's maximum rate for directory assistance from \$0.35 to \$0.85. The Commission approved the increase in Decision No. 64344, dated January 15, 2002.

Subsequently, AT&T Mountain States started charging the rate the Commission had approved for TCG Phoenix, not realizing that its authorized maximum rate for directory assistance was \$0.75, not the \$0.85 rate which had been approved for TCG Phoenix.

Upon discovery of the mistake, AT&T Mountain States reduced its rate to the \$0.47 actual rate which had been charged prior to the increase. AT&T Mountain States advised Staff of the overcharge earlier this year and discussed several efforts to develop a fair and accurate refund method.

Since the billing records for customers who were overcharged are not available in a form that would be useful in a large scale refund program, AT&T Mountain States proposes to refund the overcharges based on the average Directory Assistance usage of customers from a study period beginning on February 1, 2006 and ending on May 31, 2006. This method is designed to

refund the overcharge amount of approximately \$247,000 to approximately 2,600 business customers as outlined below:

Average Number of DA Calls per month during study period	One-time credit to be posted on customer's account
1 - 5	\$ 81.00
6 - 10	\$215.00
11 - 21	\$403.00

Staff's Analysis and Conclusions

The overcharge period is from March 19, 2002 through August 30, 2005 and the overcharge amount is approximately \$247,000. All customers overcharged were AT&T Small Business customers.

The number of AT&T Mountain States business customers who may have been impacted during this period ranges approximately from 3,000 to 5,000.

AT&T Mountain States has explained to Staff that detailed information on a customer-by-customer basis for all customers during the overcharge period is available, however, billing system limitations do not allow for large scale queries which would be needed to readily identify all customers in bulk form as needed for a direct refund program. Direct refunds to customers would, therefore, require manual searches for every customer who was an AT&T Mountain States customer during the overcharge period.

Staff does not believe that the refund methodology proposed in this application can confidently be assumed to provide refunds to all customers who were impacted.

Staff's Recommendations

Staff recommends the following in lieu of the refund method proposed in this application:


1. That the Commission affirm AT&T Mountain States' obligation to refund approximately \$247,000 with interest to all Directory Assistance customers overcharged from March 19, 2002 through August 30, 2005.
2. That the interest AT&T Mountain States utilizes in its refund program shall be six percent simple interest (0.5 percent per month, simple interest).
3. That AT&T Mountain States shall obtain Staff's agreement to determine the specific efforts that will be undertaken to locate such customers.

THE COMMISSION

July 21, 2006

Page 3

4. That AT&T Mountain States docket a report, as a compliance matter in this case, summarizing its refund program results within 240 days of the Commission's decision in this matter.

for 

Ernest G. Johnson
Director
Utilities Division

EGJ:AFF:lhmm\MAS

ORIGINATOR: Armando F. Fimbres

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 JEFF HATCH-MILLER
 Chairman
3 WILLIAM A. MUNDELL
 Commissioner
4 MARC SPITZER
 Commissioner
5 MIKE GLEASON
 Commissioner
6 KRISTIN K. MAYES
 Commissioner
7

8 IN THE MATTER OF THE APPLICATION
9 OF AT&T COMMUNICATIONS OF THE
10 MOUNTAIN STATES, INC. TO REFUND
11 OVERCHARGES FOR DIRECTORY
12 ASSISTANCE

DOCKET NO. T-02428A-06-0443

DECISION NO. _____

ORDER

13 Open Meeting
14 July 25 and July 26, 2006
15 Phoenix, Arizona

16 BY THE COMMISSION:

17 Introduction

18 On July 5, 2006, AT&T Communications of the Mountain States, Inc. ("AT&T Mountain
19 States") filed an application for approval of its proposed method for refunding to business
20 customers amounts that were inadvertently overcharged for directory assistance. The application
21 was filed in response to discussions held with Commission Staff commencing in February 2006
22 and in support of AT&T Mountain States' merger application with BellSouth as described in
23 Docket No. T-02428A-06-0203.

24 FINDINGS OF FACT

25 Proposed Transaction

26 The Company in its Application represents the following:

27 1. In 2001, AT&T Mountain States, on behalf of its affiliate Teleport Communications
28 Group of Phoenix ("TCG Phoenix"), filed an application to increase TCG's maximum rate for
29 ...

1 directory assistance from \$0.35 to \$0.85. The Commission approved the increase in Decision No.
2 64344, dated January 15, 2002.

3 2. Subsequently, AT&T Mountain States started charging the rate the Commission
4 had approved for TCG Phoenix, not realizing that its authorized maximum rate for directory
5 assistance was \$0.75, not the \$0.85 rate which had been approved for TCG Phoenix.

6 3. Upon discovery of the mistake, AT&T Mountain States reduced its rate to the \$0.47
7 actual rate which had been charged prior to the increase. AT&T Mountain States advised Staff of
8 the overcharge earlier this year and discussed several efforts to develop a fair and accurate refund
9 method.

10 4. Since the billing records for customers who were overcharged are not available in a
11 form that would be useful in a large scale refund program, AT&T Mountain States proposes to
12 refund the overcharges based on the average Directory Assistance usage of customers from a study
13 period beginning on February 1, 2006 and ending on May 31, 2006. This method is designed to
14 refund the overcharge amount of approximately \$247,000 to approximately 2,600 business
15 customers as outlined below:

Average Number of DA Calls per month during study period	One-time credit to be posted on customer's account
1 - 5	\$ 81.00
6 - 10	\$215.00
11 - 21	\$403.00

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20 Staff's Analysis & Recommendations

21 5. The overcharge period is from March 19, 2002 through August 30, 2005 and the
22 overcharge amount is approximately \$247,000. All customers overcharged were AT&T Small
23 Business customers.

24 6. The number of AT&T Mountain States business customers who may have been
25 impacted during this period ranges approximately from 3,000 to 5,000.

26 7. AT&T Mountain States has explained to Staff that detailed information on a
27 customer-by-customer basis for all customers during the overcharge period is available, however,
28 billing system limitations do not allow for large scale queries which would be needed to readily
identify all customers in bulk form as needed for a direct refund program. Direct refunds to

1 customers would, therefore, require manual searches for every customer who was an AT&T
2 Mountain States customer during the overcharge period. Given the average annual customer churn
3 rate¹, AT&T Mountain States personnel would need to perform manual searches involving several
4 thousands of customers who may have been impacted during the overcharge period.

5 8. Staff does not believe that the refund methodology proposed in this application can
6 confidently be assumed to provide refunds to all customers who were impacted.

7 9. Staff recommends the following in lieu of the refund method proposed in this
8 application:

- 9 a. That the Commission affirm AT&T Mountain States' obligation to refund
10 approximately \$247,000 with interest to all Directory Assistance customers
11 overcharged from March 19, 2002 through August 30, 2005.
- 12 b. That the interest AT&T Mountain States utilizes in its refund program shall be six
13 percent simple interest (0.5 percent per month, simple interest).
- 14 c. That AT&T Mountain States shall obtain Staff's agreement to determine the
15 specific efforts that will be undertaken to locate such customers.
- 16 d. That AT&T Mountain States docket a report, as a compliance matter in this case,
17 summarizing its refund program results within 240 days of the Commission's
18 decision in this matter.

17 CONCLUSIONS OF LAW

18 1. AT&T Mountain States is a public service corporation within the meaning of
19 Article XV of the Arizona Constitution.

20 2. The Commission has jurisdiction over AT&T Mountain States and of the subject
21 matter in this filing.

22 3. The Commission, having reviewed the filing and Staff's Memorandum dated
23 July 21, 2006, concludes that it is in the public interest to grant the application of AT&T Mountain
24 States with the proposed conditions.

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¹ Staff was provided with Confidential churn rate information. Churn Rate may also be understood to be Turnover Rate.

ORDER

IT IS THEREFORE ORDERED that AT&T Mountain States shall refund approximately \$247,000 with interest to all Directory Assistance customers overcharged from March 19, 2002 through 2005.

IT IS THEREFORE ORDERED that the interest AT&T Mountain States utilizes in its refund program shall be six percent simple interest (0.5 percent per month, simple interest).

IT IS THEREFORE ORDERED that AT&T Mountain States shall obtain Staff's agreement to determine the specific efforts that will be undertaken to locate such customers.

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1 IT IS THERFORE ORDERED that AT&T Mountain States shall file a report in Docket
2 Control, as a compliance matter in this case, summarizing the refund program results within 240
3 days of the Commission's decision in this matter.

4 IT IS FURTHER ORDERED that this Decision shall be become effective immediately.

5
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**
7

8
9 _____
CHAIRMAN

COMMISSIONER

10
11 _____
COMMISSIONER

COMMISSIONER

COMMISSIONER

12
13 IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive
14 Director of the Arizona Corporation Commission, have
15 hereunto, set my hand and caused the official seal of this
16 Commission to be affixed at the Capitol, in the City of
Phoenix, this _____ day of _____, 2006.

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19 _____
BRIAN C. McNEIL
20 Executive Director

21 DISSENT: _____
22

23 DISSENT: _____
24

EGJ:AFF:lhM/MAS
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28

1 SERVICE LIST FOR: AT&T Communications of the Mountain States, Inc.
2 DOCKET NO. T-02428A-06-0443

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